



Entergy Arkansas, Inc.
425 West Capitol Avenue
P.O. Box 551
Little Rock, AR 72203
Tel 501 377 4457
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REC'D TN
REGULATORY AUTH.

Steven K. Strickland
Director
Regulatory Affairs

February 20, 2002

*02 FEB 25 AM 10 44

OFFICE OF THE
EXECUTIVE SECRETARY

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Tennessee Regulatory Authority Docket No. 01-01023
Entergy Arkansas, Inc. (EAI) Request for Approval of a
Plan of Refund

Dear Mr. Waddell:

Entergy Arkansas, Inc. (EAI) filed Third Supplemental Direct Testimony of EAI witness Andrew P. Frits on February 15, 2002. Attached for the TRA Docket referenced above are the original and thirteen copies of Mr. Frits' testimony which provided the final rates for the residential, small general service, and lighting rate classes for the Arkansas Public Service Commission's (APSC) review and approval.

On Tuesday, February 19, APSC Staff witness Donna Gray filed Supplemental Testimony recommending approval of the final rates filed by EAI on February 15 for the residential, small general service, and lighting rate classes. The APSC issued Order No. 5 on February 20, 2002, approving the final rates submitted by EAI for these rate classes. EAI is presently continuing retrieval of the data for the large general service rate class to allow for determination of the final rate for that class and expects to file that final rate for APSC approval on February 26. As soon as an order is issued by the APSC following its review of that filing, a copy will be forwarded to you.

If you have any questions or need additional information, please do not hesitate to call me at (501) 377-4457 or Mr. Will Morgan at (501) 377-5489.

Sincerely,

SKS/tj
Attachments



Entergy Arkansas, Inc.
425 West Capitol Avenue
P.O. Box 551
Little Rock, AR 72203
Tel 501 377 4457
Fax 501 377 4415

Steven K. Strickland
Director
Regulatory Affairs

February 20, 2002

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
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Sincerely,

A handwritten signature in cursive script, appearing to read "S. K. Strickland".

SKS/tj
Attachments

FEB 15 3 57 PM '02

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE
APPLICATION OF ENTERGY
ARKANSAS, INC. FOR APPROVAL
OF A PLAN OF REFUND

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)
)
)

DOCKET NO. 01-209-U

THIRD SUPPLEMENTAL DIRECT TESTIMONY

OF

ANDREW P. FRITS

DIRECTOR, REVENUE REQUIREMENTS AND ANALYSES

ENTERGY SERVICES, INC.

ON BEHALF OF

ENTERGY ARKANSAS, INC.

FEBRUARY 15, 2002

1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME.

3 A. My name is Andrew P. Frits.

4

5 Q. ARE YOU THE SAME ANDREW P. FRITS WHO FILED SECOND
6 SUPPLEMENTAL DIRECT TESTIMONY IN THIS DOCKET ON BEHALF
7 OF ENTERGY ARKANSAS, INC. ("EAI" OR THE "COMPANY")?

8 A. Yes.

9

10 Q. WHAT IS THE PURPOSE OF YOUR THIRD SUPPLEMENTAL DIRECT
11 TESTIMONY?

12 A. In my Direct Testimony, I provided an estimated amount of the anticipated
13 refund from System Energy Resources, Inc. ("SERI"), in Federal Energy
14 Regulatory Commission ("FERC") Docket No. ER95-1042-000. Pursuant
15 to the Stipulation and Settlement Agreement (the "Stipulation") in this
16 Docket, EAI agreed with the General Staff ("Staff") of Arkansas Public
17 Service Commission ("APSC" or the "Commission") and other parties to
18 the Stipulation to "file for review and approval in this docket the exact
19 refund amount EAI will refund to its retail customers within ten (10) days
20 after the SERI refund is made to EAI." SERI made its refund to EAI on
21 December 10, 2001. My Supplemental Direct Testimony provided the
22 actual amount of the SERI refund to EAI's Arkansas retail customers. My
23 Second Supplemental Direct Testimony provided an explanation of the
24 difference in the estimated refund amount filed in my Direct Testimony and
25 the actual amount refunded to the Company as discussed in my

1 Supplemental Testimony. Consistent with the Stipulation, EAI agreed to
2 "file in this docket, as soon as the historical data can be staged, verified,
3 and adjusted as may be appropriate, an exhibit detailing the billing
4 determinants by rate class for the refund period, as well as all adjustments
5 thereto, and the final refund rates for Commission approval." Accordingly,
6 this Third Supplemental Direct Testimony provides the Commission with
7 the billing determinants by rate class for the refund period and final refund
8 rates for the Residential, Small General Service ("SGS") and Lighting
9 classes for Commission approval. An order from the Commission for
10 these customer classes will allow check printing and mailing to begin as
11 scheduled (see Timeline Table in Section IV). The verification process for
12 the Large General Service ("LGS") class billing determinants has not been
13 completed. Refund rate development for the LGS class is scheduled to be
14 completed and filed with the Commission on February 26. A Commission
15 order approving the LGS refund rates by February 28 would allow these
16 customers' checks to be printed and mailed during the seven business
17 day printing window. Section IV of this testimony provides a timeline of
18 activities that are required to complete the refund.

19
20 **II. REFUND AMOUNT**

21 Q. WHAT IS THE TOTAL AMOUNT TO BE REFUNDED TO EAI'S RETAIL
22 CUSTOMERS?

23 A. As filed with the Commission in my Supplemental Direct Testimony on
24 December 20, 2001, the refund amount is \$54,341,723. Interest paid by
25 SERI on the refund amount is included through December 9, 2001, and

1 EAI has added interest from December 10, 2001 through February 28,
2 2002. In EAI Exhibit APF-4, page 2 of 2, to my Supplemental Direct
3 Testimony, I provided the allocation of the SERI refund by rate class.
4 Attached EAI Exhibit APF-5 provides the final refund rates for Residential,
5 SGS and Lighting rate classes based on the per class refund amount
6 reflected in EAI Exhibit APF-4. Because more than a million refund
7 checks will be printed, checks will be printed over a seven business day
8 period beginning on February 25, 2002. The interest on the refund will be
9 calculated through February 28.
10

11 Q. HAS THE FERC APPROVED THE SERI REFUND REPORT?

12 A. No. The FERC staff is currently reviewing SERI's refund report filed on
13 December 21, 2001, and has requested additional workpapers associated
14 with the revised SERI bills to verify compliance with the SERI tariff that
15 was approved by the FERC on November 21, 2001. EAI will provide the
16 Commission a copy of the FERC order accepting the SERI refund report
17 and the effect on the EAI retail refund amounts, if any.
18

19 Q. PLEASE DESCRIBE EAI EXHIBIT APF-5.

20 A. EAI Exhibit APF-5 expands EAI Exhibit APF-4, which was filed with my
21 Supplemental Direct Testimony. EAI Exhibit APF-5 provides refund rates
22 for the final principal and interest amounts associated with the Residential
23 SGS and Lighting rate classes. The total refund was determined by
24 comparing the amount of the SERI bill included in the Grand Gulf Rider
25 M33 ("Rider M33") to the revised SERI bill from December 1995 through
26 November 2001 (the "Refund Period"). The total refund is split into two

1 periods. The first period is for the months of December 1995 through
2 December 1997 ("Period 1") and the second period is for the months of
3 January 1998 through November 2001 ("Period 2"). In EAI Exhibit APF-5,
4 attached hereto, the refund amount for each period has been split
5 between principal and interest and a refund rate for the principal and
6 interest has been calculated for each period. The development of different
7 refund rates for principal and interest will facilitate the calculation of the
8 appropriate sales and franchise taxes. Because customers paid sales and
9 franchise taxes on the amount they were billed (i.e. the principal), sales
10 and franchise taxes will be refunded to each customer for the Refund
11 Period on the principal amount of the refund.
12

13 **III. DEVELOPMENT OF BILLING DETERMINANTS AND REFUND RATES**

14 **Q. HOW WAS CUSTOMERS' USAGE DETERMINED?**

15 **A.** Per the Stipulation, EAI agreed to calculate usage for each customer class
16 (either kWh or kW) from December 1995 through November 2001. This
17 required the retrieval from EAI's archives of monthly customer information
18 for each customer during the Refund Period and the accumulation of
19 usage by rate class for each of the Refund Periods. Special handling of
20 determinants was required for the following rate codes:

- 21 • Standby Service Rider SS,
- 22 • Optional Interruptible Service Rider OIS,
- 23 • Economic Development Riders M37 and EDR,
- 24 • Separately Metered Commercial Space & Water Heater Rider M14,
- 25 and

1 • Special Rate Contract ("SRC") Customers.

2 These billing determinants were manually calculated for each customer.
3 Adjustments were required to the rate class usage to account for the
4 unique billing determinants of these customers. The Company is
5 completing the retrieval of specific billing elements required to calculate
6 time-of-use demand. Upon completion of all Rider M33 demands, a LGS
7 refund rate will be filed on February 26 for approval by the Commission.
8

9 Q. HOW WERE THE RATES DEVELOPED?

10 A. The refund for each rate class in each period was divided by the
11 appropriate billing determinants for that period. The same billing
12 determinants were used for both the principal and interest. The rate
13 development for Residential, SGS and Lighting rate classes for Period 1
14 and Period 2 are shown on EAI Exhibit APF-5 pages 1 and 2, respectively.
15

16 Q. HOW IS EACH CUSTOMER'S REFUND TO BE CALCULATED?

17 A. Each customer's refund will be calculated on a monthly principal, interest,
18 and applicable sales and franchise taxes basis. A customer's total refund
19 amount will be the sum of the monthly amounts.
20

21 Q. HOW WILL THE SRC CUSTOMERS' REFUND BE ADDRESSED?

22 A. The refund for the SRC customers will be calculated in the same manner
23 as other retail customers. However, pursuant to the Stipulation, SRC
24 customers that were not billed Rider M33 rates will not receive any refund.
25 In accordance with the Stipulation, the SRC refund for the period of
26 January 1997 through November 2001 will be calculated and included in

1 the Evaluation Report for the Evaluation Period ended December 31, 2001
2 to be filed in APSC Docket No. 98-114-U pursuant to the Regulatory
3 Earnings Review Tariff. Pursuant to the Stipulation, the Company will
4 retain the refunds related to the SRC Customers that were not billed Rider
5 M33 rates for December 1995 through December 1996.

6
7 **IV. TIMELINE OF ACTIVITIES**

8 Q. PLEASE PROVIDE A SCHEDULE OF ACTIVITIES TO COMPLETE THE
9 REFUND.

10 A. The following table is a list of activities and the required completion dates
11 necessary to complete the refund by March 8, 2002.
12

TIMELINE TABLE

	<u>Activity Description</u>	<u>Date</u>
1.	EAI files Residential, SGS and Lighting refund rates with the APSC	February 15
2.	APSC approves the refund rates for Residential, SGS and Lighting rate classes	February 20
3.	EAI posts individual customer refunds for the approved refund rate classes	February 21 - 24
4	EAI activates toll free number and refund VRU option	February 24
5.	EAI publishes refund notice in the newspaper	February 25
6.	EAI forwards billing file to check print vendor	February 25
7.	Vendor begins check printing and mailing	February 25

- | | | |
|-----|---|-----------------------|
| 8. | EAI files LGS refund rates with the APSC | February 26 |
| 9. | APSC approves of the refund rates for the LGS
rate class | February 28 |
| 10. | EAI posts individual LGS customers' refunds | February 28 – March 3 |
| 11. | Vendor ends check printing and mailing | March 6 |
| 12. | Complete check print process | March 8 |

1

2 **V. SUMMARY AND CONCLUSION**

3 Q. PLEASE SUMMARIZE YOUR TESTIMONY?

4 A. The billing rates presented in EAI Exhibit APF-5 equitably allocate the
5 refund returned to EAI from SERI to EAI's Residential, SGS and Lighting
6 customers. A timely approval of these rates by the Commission, on or
7 before February 20, will ensure the current schedule for printing and
8 delivery of the checks is maintained. Because the refund calculations are
9 time consuming and require extensive computer resources, the individual
10 customer refund files require processing over a weekend. An order
11 approving the LGS refund rate, to be filed by February 26, by February 28
12 will ensure the completion of the printing and mailing process by March 8.

13

14 Q. DOES THIS CONCLUDE YOUR THIRD SUPPLEMENTAL DIRECT
15 TESTIMONY?

16 A. Yes.

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE
APPLICATION OF ENTERGY
ARKANSAS, INC. FOR APPROVAL
OF A PLAN OF REFUND

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)

DOCKET NO. 01-209-U

EAI EXHIBIT APF-5

ENTERGY ARKANSAS, INC.

SERI REFUND RATE DEVELOPMENT BY RATE CLASS

Entergy Arkansas, Inc.
2001 SERI Refund Rate Development By Rate Class
Refund Period December 1995 Through February, 2002

Period 1 December 1995 - December 1997

PRINCIPAL				
Rate Class	Revenues From 84-249-U (1) (000'S)	Refund	Billing Determinants kWh or kW	Refund Rate \$/kWh or \$/kW
1 Residential	\$ 320,279	\$ 14,266,159	12,337,421,752 kWh	\$0.001156332 /kWh
2 Small General Service	156,516	6,971,678	6,627,767,513 kWh	\$0.001051889 /kWh
3 Large General Service	255,155	11,365,347	kW	/kW
4 Lighting	12,518	557,589	432,412,419 kWh	\$0.001289483 /kWh
5 Total Retail	<u>\$ 744,468</u>	<u>\$ 33,160,773</u>	(3)	

INTEREST				
Rate Class	Revenues From 84-249-U (1) (000'S)	Refund	Billing Determinants kWh or kW	Refund Rate \$/kWh or \$/kW
6 Residential	\$ 320,279	\$ 7,778,604	12,337,421,752 kWh	\$0.000630489 /kWh
7 Small General Service	156,516	3,801,298	6,627,767,513 kWh	\$0.000573541 /kWh
8 Large General Service	255,155	6,196,940	kW	/kW
9 Lighting	12,518	304,025	432,412,419 kWh	\$0.000703090 /kWh
10 Total Retail	<u>\$ 744,468</u>	<u>\$ 18,080,867</u>	(3)	

Rate Class	Total Period 1 Refund
11 Residential	\$ 22,044,763
12 Small General Service	10,772,976
13 Large General Service	17,562,287
14 Lighting	861,614
15 Total Retail	<u>\$ 51,241,640</u>

(4)

Entergy Arkansas, Inc.
2001 SERI Refund Rate Development By Rate Class
Refund Period December 1995 Through February, 2002

Period 2 January 1998 - November 2001

PRINCIPAL

Rate Class		Revenues From 96-360-U (2) (000'S)	Refund	Billing Determinants kWh or kW	Refund Rate \$/kWh or \$/kW
1	Residential	\$ 341,466	\$ 761,990	26,159,427,740 kWh	\$0.000029129 /kWh
2	Small General Service	155,411	346,804	14,506,930,564 kWh	\$0.000023906 /kWh
3	Large General Service	220,440	491,918	kW	/kW
4	Lighting	15,437	34,448	920,172,139 kWh	\$0.000037437 /kWh
5	Total Retail	<u>\$ 732,754</u>	<u>\$ 1,635,160</u> (3)		

INTEREST

Rate Class		Revenues From 96-360-U (2) (000'S)	Refund	Billing Determinants kWh or kW	Refund Rate \$/kWh or \$/kW
6	Residential	\$ 341,466	\$ 682,659	26,159,427,740 kWh	\$0.000026096 /kWh
7	Small General Service	155,411	310,698	14,506,930,564 kWh	\$0.000021417 /kWh
8	Large General Service	220,440	440,704	kW	/kW
9	Lighting	15,437	30,862	920,172,139 kWh	\$0.000033539 /kWh
10	Total Retail	<u>\$ 732,754</u>	<u>\$ 1,464,923</u> (3)		

Total Rate Class		Total Period 2 Refund
11	Residential	\$ 1,444,649
12	Small General Service	657,502
13	Large General Service	932,622
14	Lighting	65,310
15	Total Retail	<u>\$ 3,100,083</u> (4)

Entergy Arkansas, Inc.
2001 SERI Refund Rate Development By Rate Class
Refund Period December 1995 Through February, 2002

	<u>Rate Class</u>	<u>Total Both Periods Refund</u>
16	Residential	\$ 23,489,412
17	Small General Service	11,430,478
18	Large General Service	18,494,909
19	Lighting	<u>926,923</u>
20	Total Retail	<u>\$ 54,341,723</u>

Notes:

(1) Base rate revenue requirement from APSC Docket No. 84-249-U used to allocate the Grand Gulf demand revenue requirement to Arkansas rate classes under Grand Gulf Rider M33.

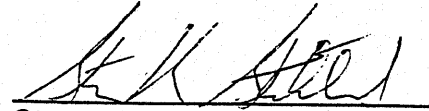
(2) Base rate revenue requirement from APSC Docket No. 96-360-U used to allocate the Grand Gulf demand revenue requirement to Arkansas rate classes under Grand Gulf Rider M33.

(3) The sum of the principle or interest from EAI Exhibit APF-4 Page 1 for each period.

(4) Amounts from EAI Exhibit APF-4 Page 1 Lines 5 and 11.

CERTIFICATE OF SERVICE

I, Steven K. Strickland, do hereby certify that a copy of the foregoing has been served upon all parties of record this 15th day of February 2002.

A handwritten signature in black ink, appearing to read 'S. K. Strickland', is written over a horizontal line.

Steven K. Strickland

ARK PUBLIC SERV. COMM.
DIANA K. WILSON
SECRETARY OF COMM.
FILED

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

2002 FEB 19 P 2:43

FILED

IN THE MATTER OF THE)
APPLICATION OF ENTERGY)
ARKANSAS, INC. FOR APPROVAL)
OF A PLAN OF REFUND)

DOCKET NO. 01-209-U

SUPPLEMENTAL TESTIMONY

OF

DONNA GRAY
DIRECTOR, FINANCIAL ANALYSIS

ON BEHALF OF THE
ARKANSAS PUBLIC SERVICE COMMISSION STAFF

FEBRUARY 19, 2002

ENTERGY ARKANSAS, INC.
DOCKET NO. 01-209-U
SUPPLEMENTAL TESTIMONY OF DONNA GRAY -1-

1 Q. Are you the same Donna Gray who filed testimony in this Docket on October 11, 2001?

2 A. Yes, I am.

3 Q. What is the purpose of your Supplemental Testimony?

4 A. The purpose of this testimony is to address the Supplemental Direct Testimony of Andrew P. Frits
5 filed on December 20, 2001 addressing the actual amount of the System Energy Resources, Inc.
6 (SERI) refund to Entergy Arkansas, Inc.'s (EAI's) Arkansas retail customers, the Second
7 Supplemental Direct Testimony of Mr. Frits filed on February 1, 2002, and the Third Supplemental
8 Direct Testimony of Mr. Frits filed on February 15, 2002 addressing the refund amounts and rates
9 by class.

10 Q. Please begin by outlining the provisions of the Stipulation and Settlement Agreement (Stipulation)
11 filed October 11, 2001 and approved by Order No. 4 issued on October 15, 2001 with regard
12 to the determination of the refund.

13 A. The Stipulation as approved set forth the refund method and calculation procedure for the SERI
14 refund. At the time of the Stipulation, EAI estimated the amount of the refund to be \$62.5 million.
15 The Stipulation required EAI to file the actual amount EAI would refund to its Arkansas retail
16 customers within 10 days after the refund was made by SERI. SERI made the refund to EAI on
17 December 10, 2001.

18 Q. What amount of actual refund did EAI calculate according to Mr. Frits' Supplemental Direct
19 Testimony?

20 A. EAI provided the amount of the actual refund to be \$54,341,723. Mr. Frits noted in his Second

ENTERGY ARKANSAS, INC.
DOCKET NO. 01-209-U
SUPPLEMENTAL TESTIMONY OF DONNA GRAY -2-

1 Supplemental Direct Testimony that while SERI filed its Compliance Refund Report with the
2 Federal Energy Regulatory Commission (FERC) on December 21, 2001, FERC Staff requested
3 additional information relating to the refund calculation and FERC had not completed its review of
4 SERI's Compliance Refund Report.

5 Q. How did Staff approach its review of the \$54,341,723 refund amount provided by EAI?

6 A. Staff verified the amounts charged Arkansas retail ratepayers through Rider M33 for the December
7 1995 through November 2001 refund period. Staff then compared those amounts to the revised
8 SERI bills provided by the Company in its work papers to confirm the refund amount as provided
9 by the Company. Consistent with the Stipulation, the refund calculations reflect the retail allocation
10 used in the development of Rider M33 throughout the refund period.

11 Q. What is the Staff's position with regard to the FERC Staff inquiry relating to the refund calculation?

12 A. As previously stated, our review was based on a comparison of the revised SERI bills provided
13 by the Company to the amounts charged Arkansas retail ratepayers throughout the refund period.
14 To the extent FERC determines that the revised bills were in error, further revisions would likewise
15 be warranted in arriving at the Arkansas retail portion. However, in that SERI has already
16 refunded amounts to EAI, Staff supports that the Arkansas retail portion of that refund be made
17 as soon as possible to EAI's Arkansas customers. I recommend that the Company be required
18 to make a supplemental filing in this Docket providing all necessary information to assess the impact
19 of any FERC revisions. Mr. Frits' February 15, 2002 testimony indicates EAI's intention to
20 provide this information. Any revisions could be addressed by the Staff and the Commission at that

ENTERGY ARKANSAS, INC.
DOCKET NO. 01-209-U
SUPPLEMENTAL TESTIMONY OF DONNA GRAY -3-

1 time as necessary.

2 Q. Does the Company's calculation include interest?

3 A. Yes, interest was included in the calculation consistent with the provisions of the Stipulation.

4 Interest at the FERC refund rates was included throughout the refund period and to the point in
5 time SERI made the refund to EAI. Thereafter, 7.04% interest is included through February 28,
6 2002, the mid-point of the period over which checks will be issued to customers.

7 Q. Do the class allocations of the refund amount as set forth in Mr. Frits' Supplement Direct
8 Testimony also comply with the provisions of the Stipulation?

9 A. Yes. The Stipulation provided that the allocation among the classes would be consistent with the
10 development of Rider M33 throughout the refund period. The Company's calculations are
11 consistent with that provision.

12 Q. Did you review EAI's development of the refund rates as presented in Mr. Frits' Third
13 Supplemental Direct Testimony?

14 A. Yes. Consistent with the Stipulation, the refund rates for the residential, small general service and
15 lighting classes were developed based on the refund amounts by rate class and the billing
16 determinants the Company retrieved from its monthly customer information for each customer
17 throughout the refund period. As noted in Mr. Frits' testimony, the refund rates for the large
18 general service class will be filed with Commission on February 26, 2002. Staff will review the
19 Company's determination at that time.

20 Q. Will ratepayers additionally receive the amount of sales tax and franchise tax related to the refund?

ENTERGY ARKANSAS, INC.
DOCKET NO. 01-209-U
SUPPLEMENTAL TESTIMONY OF DONNA GRAY -4-

1 A. Yes, consistent with the provisions of the Stipulation ratepayers will also be refunded the amounts
2 of sales and franchise taxes related to the SERI refund, exclusive of interest, on a customer-by-
3 customer basis.

4 Q. Please clarify the provision of the Stipulation regarding the amount of the refund related to special
5 rate contract (SRC) customers.

6 A. The Stipulation provides that customers on special rate contracts who were not charged the
7 approved Rider M33 rates during the refund period will likewise not be entitled to a refund of those
8 charges. For the years 1995 and 1996, periods prior to the establishment of the Transition Cost
9 Account (TCA) and the Regulatory Earnings Review Tariff in Docket No. 96-360-U, EAI will be
10 allowed to retain the refund amounts for SRC customers who did not pay approved Rider M33
11 rates. For the years 1997, 1998, 1999 and 2000 the incremental impact on the excess earnings
12 for each year as a result of the refund, inclusive of FERC interest and the 7.04% interest, will be
13 calculated and the total amount for those years added to the TCA balance. The calculations for
14 those years will be filed with the Regulatory Earnings Review Tariff for the year 2001. For the year
15 2001, EAI will include the amount of the SRC refund, inclusive of applicable FERC and 7.04%
16 refund interest, which otherwise would have gone to the SRC customers had they paid Rider M33
17 rates, in its determination of any excess earnings.

18 Q. The Stipulation provided that EAI shall work with Staff to develop an insert explaining the refund
19 to be included with each refund check or billing insert. Has the insert been finalized?

20 A. Attachment 1 to my testimony reflects the format for the letter with attached check which the

ENTERGY ARKANSAS, INC.
DOCKET NO. 01-209-U
SUPPLEMENTAL TESTIMONY OF DONNA GRAY -5-

1 Company and Staff worked together to develop. A similar billing credit insert will be finalized this
2 week. The Stipulation also provided that EAI would work with Staff to develop a public notice
3 explaining the refund, which would be published in a newspaper of statewide circulation.
4 Attachment 2 to my testimony reflects the public notice EAI and Staff have worked to develop.

5 Q. What is your recommendation to the Commission?

6 A. I recommend that the refund rates reflected on pages 1 and 2 of EAI Exhibit APF-5 be approved
7 for use in the development of customer-specific refunds for the residential, small general service
8 and lighting classes.

9 Q. Does this conclude your testimony at this time?

10 A. Yes. As indicated in Mr. Frits' testimony, the Company will file its proposed refund rates for the
11 large general service class on February 26, 2002. It is Staff's intention to file testimony addressing
12 the proposed refund rates for the large general service class on February 27, 2002.

Entergy

ENTERGY ARKANSAS INC.
PO Box 8099
Little Rock, AR 72203-8099

Draft: 02/11/2002 07:15:45

Remittance Advice

000004

March 8, 2002

Account: 000[REDACTED]
Check Number: 0000684196
Check Amount: \$78.19
Service Location:
[REDACTED]
[REDACTED]

Postal Endorsement



PO BOX [REDACTED]
WALNUT RIDGE AR [REDACTED]
mailing address line4
mailing address line5

Dear Customer:

Attached is your refund check that comes as a result of a reduction in the price Entergy Arkansas pays for electric power from the Grand Gulf Nuclear Station (Grand Gulf). Grand Gulf is owned by System Energy Resources, Inc. (SERI), a nuclear generating subsidiary of Entergy Corporation. Entergy Arkansas buys power from the subsidiary at rates approved by the Federal Energy Regulatory Commission (FERC). In 1995, SERI requested the FERC authorize a rate increase. The FERC allowed the requested rates to be charged subject to later refund after the FERC fully evaluated the request. In response to challenges by the Arkansas Public Service Commission and other state regulatory commissions, the FERC determined the cost of Grand Gulf power to be lower than the rates it originally authorized. Your refund is your share of the amount returned to Entergy Arkansas as a result of the difference in these rates.

The APSC approved the method to determine the amount to be refunded by Entergy Arkansas to its active and inactive customers. Refunds are being made by check. Your share of the refund was determined by the amount of electricity you used from December 1995 through November 2001. Your refund check also includes interest as well as the appropriate amount of sales tax and franchise adjustment fees, if applicable, based on tax rates and franchise adjustment factors in effect during this time period.

If you have a question, please call toll-free, 1-866-955-9500 and select menu option 5. If you know of anyone who was an Entergy Arkansas customer during this time period, but no longer is a customer and did not receive a refund check by March 15, please ask that individual to call the above number.

Kindest regards,

Hugh McDonald
President and CEO
Entergy Arkansas, Inc.

PLEASE DETACH BEFORE DEPOSITING

Entergy

ENTERGY ARKANSAS INC.
PO Box 8099
Little Rock, AR 72203-8099

SERI REFUND PER APSC

Hibernia National Bank
New Orleans, Louisiana

14-9
650

0000684196
CHECK NUMBER

000[REDACTED]
Account

03/08/2002
Check Date

\$*****78.19
CHECK AMOUNT
(VOID AFTER 180 DAYS)

PAY
TO THE
ORDER
OF

PO BOX [REDACTED]
VOID
WALNUT RIDGE, AR [REDACTED]

VOID
Chief Financial Officer

VOID
Vice President and Treasurer

⑈0000684196⑈ ⑆065000090⑆ 11 1111111 11⑈

PUBLIC NOTICE

**ENTERGY ARKANSAS REFUND FOR
RETAIL CUSTOMERS**

As a result of a challenge by the Arkansas Public Service Commission (APSC) and regulators from the other states served by Entergy, the Federal Energy Regulatory Commission (FERC) recently issued a decision that resulted in a \$54.3 million refund to Entergy Arkansas, Inc. for reduced charges for *Grand Gulf power from December 1995 through November 2001*, the refund period.

The APSC has approved the method to determine the amount Entergy Arkansas will refund to those who were customers all or part of the refund period. Your share of the refund is determined by the amount of electricity you used during this time period as well as the difference in rates you paid compared to the rates ultimately approved by the FERC. Customers who began service after January 1998 will receive a much smaller refund than those who were customers for the entire refund period because the price charged for power from Grand Gulf during this later period was reduced beginning in January 1998. Your refund will include interest as well as the appropriate amount of sales tax and franchise adjustment fees, if applicable, based on tax rates and franchise adjustment factors during

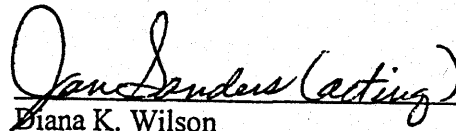
this time period.

Beginning on February 25 and ending in early March, Entergy Arkansas will mail checks to its retail customers for refund amounts of \$1.00 and greater. Refunds less than \$1.00 will be credited to active accounts.

If you have a question or you are an inactive customer and do not receive a refund check by March 15, please call toll-free, 1-866-955-9500 and select menu option 5. If you know of anyone who was an Entergy Arkansas customer during the refund period, but no longer is a customer and does not receive a refund check by March 15, please ask that individual to call the above number.

CERTIFICATE OF SERVICE

I, Diana K. Wilson, hereby certify that a copy of the foregoing Testimony has been served on all parties of record by forwarding the same by first-class mail, postage prepaid, this 19th day of February, 2002.



Diana K. Wilson
Secretary of the Commission

ARK PUBLIC SERV. COMM.
SICHA R. WILSON
SEC. ARK. PUBLIC SERV. COMM.

FEB 20 3 59 PM '02

ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE APPLICATION OF)
ENERGY ARKANSAS, INC. FOR APPROVAL OF)
A PLAN OF REFUND)

DOCKET NO. 01-209-U
ORDER NO. 5

ORDER

On August 31, 2001, Entergy Arkansas, Inc. ("EAI") filed in the above-styled docket an *Application For Approval Of A Plan Of Refund* ("Application") for a refund which EAI was scheduled to receive from System Energy Resources, Inc. ("SERI") as a result of a Federal Energy Regulatory Commission ("FERC") Order issued on July 31, 2000.¹

The refund comes as a result of a reduction in the price EAI pays to SERI for electric power from the Grand Gulf Nuclear Station ("Grand Gulf"). Grand Gulf is owned by SERI, a nuclear generating subsidiary of Entergy Corporation. EAI buys power from SERI at rates approved by the FERC. In 1995, SERI requested the FERC authorize a rate increase. The FERC allowed the requested rates to be charged subject to later refund after the FERC fully evaluated the request. In response to challenges by the Arkansas Public Service Commission and other state regulatory commissions, the FERC determined the cost of Grand Gulf power to be lower than the rates it originally authorized. Consequently, SERI was directed to refund the difference to EAI. EAI, in turn, will make appropriate refunds to its Arkansas retail customers.

EAI, the Office of the Attorney General ("AG"), Arkansas Electric Energy Consumers

¹Order No. 446, 92 FERC ¶61,119 (2000), addressing a Proposed Amendment to Rate Schedule FERC No. 2, the Unit Power Sales Agreement.

("AEEC"), and the General Staff of the Arkansas Public Service Commission ("Staff"), being all the parties to this docket (collectively, the "Parties"), on October 11, 2001, filed in this docket a *Stipulation And Settlement Agreement* ("Settlement Agreement") which resolves all outstanding issues in this proceeding.

Prepared written testimony in support of the Settlement Agreement was filed on October 11, 2001, by Ms. Donna Gray on behalf of Staff, and Mr. Steven Strickland on behalf of EAI.

Pursuant to Order No. 2, issued in this docket on October 1, 2001, a public hearing on EAI's Application, as well as the proposed Settlement Agreement, was conducted by the Commission on October 15, 2001.

Based upon the joint recommendations of the Parties and the supporting testimonies of Ms. Gray and Mr. Strickland, the Commission approved the Settlement Agreement by Order No. 4, issued on October 15, 2001.

Pursuant to the Settlement Agreement, EAI filed the Supplemental Direct Testimony of Mr. Andrew P. Frits on December 20, 2001. The purpose of Mr. Frits' Supplemental Direct Testimony was to provide the actual amount of the SERI refund to EAI's Arkansas retail ratepayers. Based upon Mr. Frits' testimony and attached Exhibit APF-4, the actual amount refunded by SERI to EAI on December 10, 2001, was \$54,341,723. Exhibit APF-4 reflects the calculation of the actual refund amount for the period of December 1995 through December 1997, the actual refund amount for the period January 1998 through November 2001, and interest on the refund from the date SERI made the refund to EAI through February 28, 2002. Interest was calculated at the rate of 7.04 percent as provided in the Settlement Agreement.

On February 1, 2002, Mr. Frits filed his Second Supplemental Direct Testimony. Therein,

Mr. Frits explained the difference in EAI's initial refund estimate (\$62.5 million) and the final actual refund amount of \$54.3 million. In addition, Mr. Frits noted that while SERI filed its Compliance Refund Report with the FERC on December 21, 2001, FERC Staff has requested additional information relating to the refund calculation and that FERC had not completed its review of SERI's Compliance Refund Report.

Mr. Frits filed his Third Supplemental Direct Testimony and Exhibit APF-5 on February 15, 2002. Therein, Mr. Frits provided the final billing determinants by rate class for the refund period and final refund rates for EAI's Residential, Small General Service and Lighting classes. According to Mr. Frits, the verification process for the Large General Service ("LGS") class billing determinants will not be completed and filed with the Commission until February 26, 2002.

On February 19, 2002, Staff filed the Supplemental Testimony of Ms. Donna Gray which addresses Mr. Frits' Supplemental Direct Testimony, his Second Supplemental Direct Testimony, and his Third Supplemental Direct Testimony. Ms. Gray testified that Staff had verified the amounts charged to Arkansas retail ratepayers through Grand Gulf Rider M33 for the December 1995 through November 2001 refund period, and then compared those amounts to the revised SERI bills provided by EAI in its work papers to confirm the refund amount as calculated by EAI. Ms. Gray testified that EAI's refund calculations reflect the retail allocation used in the development of Rider M33 throughout the refund period and are consistent with the Settlement Agreement. Accordingly, Ms. Gray recommends that the Commission approve EAI's proposed refund rates.

Therefore, the Commission orders as follows:

1. The refund rates reflected on pages 1 and 2 of EAI Exhibit APF-5 are approved for use in the development of customer-specific refunds for EAI's residential, small general service and

lighting ratepayer classes.

2. Upon conclusion of the FERC's review of SERI's Compliance Refund Report, EAI shall make a supplemental filing in this Docket providing all necessary information to assess the impact of any FERC revisions. This Commission specifically reserves the right to issue appropriate additional orders in this matter, including the possibility of ordering additional refunds, upon conclusion of the FERC's review of SERI's Compliance Refund Report.


3. EAI shall file proposed refund rates for its LGS ratepayer class by February 26, 2002.


4. EAI shall promptly initiate the issuance of refunds to its residential, small general service and lighting ratepayers consistent with Mr. Frits' Third Supplemental Direct Testimony, EAI Exhibit APF-5, and Ms. Gray's Supplemental Testimony.

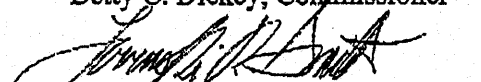
5. EAI shall provide its ratepayers with notice of the issuance of the refunds pursuant to and consistent with Attachments 1 and 2 to Ms. Gray's Supplemental Testimony.

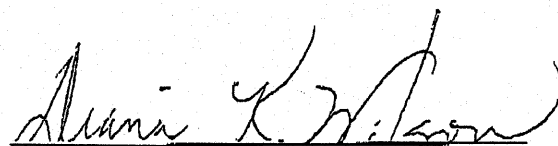
BY ORDER OF THE COMMISSION.

This 20th day of February, 2002.

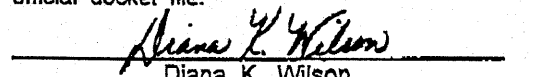

Sandra L. Hochstetter, Chairman


Betty C. Dickey, Commissioner


Lavenski R. Smith, Commissioner


Diana K. Wilson
Secretary of the Commission

I hereby certify that the following order issued by the Arkansas Public Service Commission has been served on all parties of record this date by U.S. mail with postage prepaid, using the address of each party as indicated in the official docket file.


Diana K. Wilson
Secretary of the Commission
Date 2-20-02